



H.B. Fuller (FUL)

Updated June 26th, 2025 by Aristofanis Papadatos

Key Metrics

| | | | | | |
|-----------------------------|------|--|------|--------------------------------------|---------|
| Current Price: | \$62 | 5 Year CAGR Estimate: | 7.4% | Market Cap: | \$3.3 B |
| Fair Value Price: | \$62 | 5 Year Growth Estimate: | 6.0% | Ex-Dividend Date¹: | 7/30/25 |
| % Fair Value: | 100% | 5 Year Valuation Multiple Estimate: | 0.1% | Dividend Payment Date: | 8/13/25 |
| Dividend Yield: | 1.5% | 5 Year Price Target | \$83 | Years Of Dividend Growth: | 56 |
| Dividend Risk Score: | A | Sector: Materials | | Rating: | Hold |

Overview & Current Events

H.B. Fuller is a leading global manufacturer of adhesives, sealants, and other specialty chemical products. It has customers across more than 30 market segments in more than 140 countries. The category of industrial adhesives is the core product offering of the company.

Given the \$3.3 billion market cap of H.B Fuller, it is evident that its acquisition of Royal Adhesives & Sealants for \$1.6 billion is critically important. This acquisition, which is the largest in the history of the company, boosted its annual sales by nearly one-third and enhanced its reach to more highly specialized adhesive segments. H.B. Fuller also acquired Adecol in late 2017 to improve its growth prospects in Brazil.

In late June, H.B. Fuller reported (6/25/25) financial results for the second quarter of fiscal 2025. Revenue dipped -2% due to the divestment of the flooring business and currency headwinds but organic revenue grew 3% over the prior year's quarter thanks to volume growth. Gross margin expanded from 31.1% to 32.2% and earnings-per-share grew 5%, from \$1.12 to \$1.18, mostly thanks to high cost savings, and exceeded the analysts' consensus by \$0.10. It was the widest earnings beat and the second-best earnings-per-share in the last four years. The stock surged 11%.

As H.B. Fuller minimized the effect of tariffs by producing goods in the regions where it sold these goods, it improved its guidance for fiscal 2025. It still expects to grow organic revenue by 0%-2% but it raised its guidance for earnings-per-share in 2025 from \$3.90-\$4.20 to \$4.10-\$4.30. Accordingly, we have raised our forecast from \$4.05 to \$4.15.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$1.69 | \$2.42 | \$1.13 | \$3.00 | \$2.96 | \$2.84 | \$3.47 | \$4.00 | \$3.87 | \$3.84 | \$4.15 | \$5.55 |
| DPS | \$0.51 | \$0.55 | \$0.59 | \$0.62 | \$0.64 | \$0.65 | \$0.67 | \$0.74 | \$0.81 | \$0.87 | \$0.94 | \$1.20 |
| Shares² | 50.1 | 50.1 | 50.2 | 52.0 | 52.4 | 52.9 | 55.0 | 55.5 | 56.2 | 56.7 | 56.0 | 60.0 |

H.B. Fuller has exhibited a volatile performance record throughout the last decade. It is also very sensitive to the underlying global economic growth. However, the company has grown its earnings-per-share at a 5.9% average annual rate over the last eight years and by 5.3% per year on average over the last five years. H.B. Fuller has emerged stronger from the pandemic and has provided guidance for an improvement of its adjusted EBITDA, from 17% to more than 20% until the end of 2026. Overall, we expect H.B. Fuller to grow its earnings-per-share at a 6.0% average annual rate over the next five years, roughly in line with its historical growth pace.

Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 24.1 | 17.7 | 46.9 | 17.1 | 16.0 | 15.5 | 18.9 | 17.2 | 18.0 | 20.5 | 14.9 | 15.0 |
| Avg. Yld. | 1.3% | 1.3% | 1.1% | 1.2% | 1.4% | 1.5% | 1.0% | 1.1% | 1.2% | 1.1% | 1.5% | 1.4% |

¹ Estimated date.

² In millions

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H.B. Fuller is currently trading at a price-to-earnings ratio of 14.9. While the historical average earnings multiple is 18.5, we assume a fair price-to-earnings ratio of 15.0 due to the high cyclicity of the stock. If the stock trades at our fair valuation level in five years, it will enjoy a marginal 0.1% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Payout | 30.2% | 22.7% | 52.2% | 20.7% | 21.6% | 22.9% | 19.3% | 18.5% | 20.9% | 22.7% | 22.7% | 21.6% |

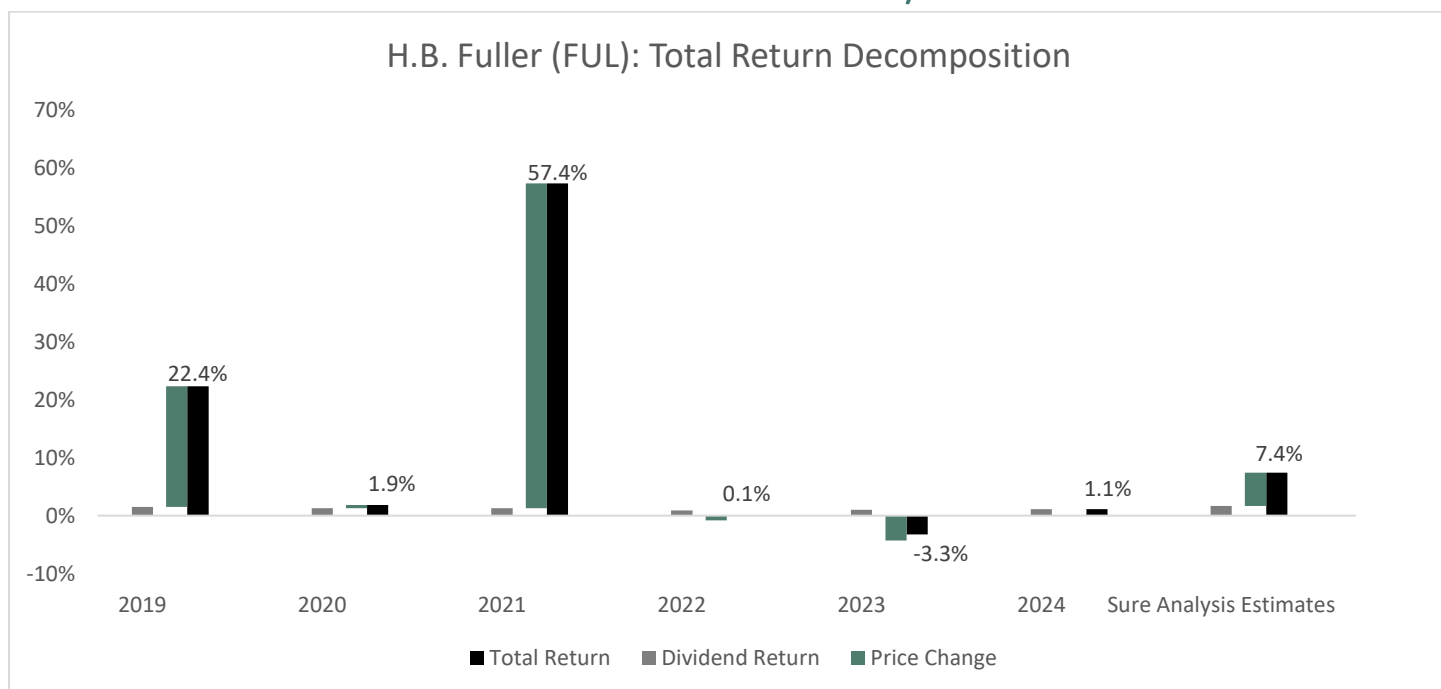
Due to the acquisition of Royal Adhesives & Sealants, interest coverage fell to 2.0 in 2018 but it has improved to 3.1, as the company has been using a major portion of its free cash flows to reduce debt. In addition, the company has a healthy leverage ratio (Net Debt to EBITDA) of 3.4. H.B. Fuller has raised its dividend by 6% this year and thus it has now raised its dividend for 56 consecutive years. The company is likely to keep raising its dividend for years thanks to its low payout ratio but it is offering a dividend yield of only 1.5%.

As the customers of H.B. Fuller are manufacturers of a wide range of products, the performance of H.B. Fuller is closely tied to underlying economic conditions. Moreover, H.B. Fuller is highly leveraged to economic growth and hence the stock could outperform the market in rallies and underperform the market in rough periods. The company is notably vulnerable to recessions. During the Great Recession, its earnings-per-share plunged -79%, from \$1.68 in 2007 to \$0.36 in 2008, and the stock lost two-thirds of its market cap in less than six months. This is a significant risk factor to keep in mind, although the company proved markedly resilient throughout the coronavirus crisis.

Final Thoughts & Recommendation

H.B Fuller has a volatile earnings record and is vulnerable to economic downturns. After posting record earnings in 2021 and 2022, the company faced deceleration of its business due to a slowing global economy and cost inflation but it greatly improved its performance in the latest quarter. We expect the stock to offer a 7.4% average annual return over the next five years thanks to 6.0% growth of earnings-per-share, a 1.5% dividend and a 0.1% valuation tailwind. The stock maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 2,084 | 2,095 | 2,306 | 3,041 | 2,897 | 2,790 | 3,278 | 3,749 | 3,511 | 3,569 |
| Gross Profit | 568 | 606 | 599 | 828 | 807 | 757 | 845 | 964 | 1,009 | 1,062 |
| Gross Margin | 27.3% | 28.9% | 26.0% | 27.2% | 27.9% | 27.1% | 25.8% | 25.7% | 28.7% | 29.8% |
| SG&A Exp. | 371 | 408 | 479 | 555 | 544 | 501 | 553 | 596 | 654 | 714 |
| D&A Exp. | 75 | 78 | 87 | 145 | 141 | 139 | 143 | 147 | 160 | 175 |
| Operating Profit | 170 | 198 | 120 | 238 | 226 | 218 | 253 | 323 | 355 | 348 |
| Operating Margin | 8.2% | 9.5% | 5.2% | 7.8% | 7.8% | 7.8% | 7.7% | 8.6% | 10.1% | 9.8% |
| Net Profit | 87 | 122 | 59 | 171 | 131 | 124 | 161 | 80 | 145 | 130 |
| Net Margin | 4.2% | 5.8% | 2.6% | 5.6% | 4.5% | 4.4% | 4.9% | 2.1% | 4.1% | 3.6% |
| Free Cash Flow | 152 | 132 | 111 | 185 | 207 | 244 | 117 | 127 | 259 | 162 |
| Income Tax | 56 | 49 | 10 | (6) | 49 | 42 | 63 | 77 | 94 | 56 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 2,042 | 2,056 | 4,373 | 4,176 | 3,986 | 4,037 | 4,275 | 4,464 | 4,724 | 4,933 |
| Cash & Equivalents | 119 | 142 | 194 | 151 | 112 | 101 | 62 | 80 | 179 | 169 |
| Accounts Receivable | 365 | 351 | 474 | 495 | 493 | 515 | 615 | 607 | 578 | 558 |
| Inventories | 249 | 247 | 372 | 348 | 337 | 323 | 448 | 492 | 442 | 467 |
| Goodwill & Int. Ass. | 567 | 572 | 2,338 | 2,213 | 2,081 | 2,068 | 1,986 | 2,095 | 2,216 | 2,302 |
| Total Liabilities | 1,169 | 1,118 | 3,321 | 3,023 | 2,763 | 2,655 | 2,677 | 2,853 | 2,968 | 3,103 |
| Accounts Payable | 178 | 163 | 268 | 273 | 299 | 316 | 500 | 461 | 440 | 491 |
| Long-Term Debt | 723 | 703 | 2,452 | 2,248 | 1,979 | 1,774 | 1,616 | 1,765 | 1,838 | 2,011 |
| Shareholder's Equity | 873 | 938 | 1,051 | 1,153 | 1,222 | 1,381 | 1,597 | 1,610 | 1,755 | 1,829 |
| D/E Ratio | 0.83 | 0.75 | 2.33 | 1.95 | 1.62 | 1.28 | 1.01 | 1.10 | 1.05 | 1.10 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 4.4% | 5.9% | 1.8% | 4.0% | 3.2% | 3.1% | 3.9% | 4.1% | 3.2% | 2.7% |
| Return on Equity | 9.8% | 13.4% | 6.0% | 15.5% | 11.0% | 9.5% | 10.8% | 11.2% | 8.6% | 7.3% |
| ROIC | 5.7% | 7.5% | 2.3% | 5.0% | 4.0% | 3.9% | 5.1% | 5.5% | 4.2% | 3.5% |
| Shares Out. | 50.1 | 50.1 | 50.2 | 52.0 | 52.4 | 52.9 | 55.0 | 55.3 | 56.0 | 56.6 |
| Revenue/Share | 40.54 | 40.85 | 44.67 | 58.51 | 55.73 | 53.13 | 60.35 | 67.84 | 62.74 | 63.02 |
| FCF/Share | 2.96 | 2.58 | 2.16 | 3.56 | 3.99 | 4.65 | 2.16 | 2.29 | 4.63 | 2.86 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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